

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 First Round

June 16, 2021

Westport Cupertino, located at 21267 Stevens Creek Blvd. in Cupertino, requested and is being recommended for a reservation of \$2,381,471 in annual federal tax credits to finance the new construction of 47 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 15 and Assembly District 28.

Project Number CA-21-056

Project Name Westport Cupertino
Site Address: 21267 Stevens Creek Blvd.
Cupertino, CA 95014 County: Santa Clara
Census Tract: 5078.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,381,471	\$0
Recommended:	\$2,381,471	\$0

Applicant Information

Applicant: Cupertino Pacific Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022
Email: calebr@tpchousing.com

General Partner(s) / Principal Owner(s): TPC Holdings IX, LLC
Central Valley Coalition for Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): The Pacific Companies
Central Valley Coalition for Affordable Housing
Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Financial
Management Agent(s): Buckingham Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 48
No. & % of Tax Credit Units: 47 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: South and West Bay Region
TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of</u>	<u>Percentage of</u>
<u>Units</u>	<u>Units</u>	<u>Affordable Units</u>
At or Below 30% AMI:	5	10%
At or Below 40% AMI:	8	15%
At or Below 50% AMI:	19	40%
At or Below 60% AMI:	15	30%

Unit Mix

9 SRO/Studio Units
28 1-Bedroom Units
11 2-Bedroom Units

48 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of</u>	<u>Proposed Rent</u>
	<u>Area Median Income</u>	<u>(including utilities)</u>
1 SRO/Studio	30%	\$829
2 SRO/Studio	40%	\$1,106
4 SRO/Studio	50%	\$1,382
2 SRO/Studio	60%	\$1,659
3 1 Bedroom	30%	\$888
5 1 Bedroom	40%	\$1,185
12 1 Bedroom	50%	\$1,481
8 1 Bedroom	60%	\$1,777
1 2 Bedrooms	30%	\$1,066
1 2 Bedrooms	40%	\$1,422
3 2 Bedrooms	50%	\$1,777
5 2 Bedrooms	60%	\$2,133
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$9,224,426
Construction Costs	\$17,721,183
Rehabilitation Costs	\$0
Construction Contingency	\$1,200,000
Relocation	\$0
Architectural/Engineering	\$995,000
Const. Interest, Perm. Financing	\$1,563,700
Legal Fees	\$50,000
Reserves	\$326,184
Other Costs	\$2,841,763
Developer Fee	\$2,200,000
Commercial Costs	\$1,000,000
Total	\$37,122,256

Residential

Construction Cost Per Square Foot:	\$391
Per Unit Cost:	\$752,547
True Cash Per Unit Cost*:	\$567,667

Construction Financing

Source	Amount
California Bank & Trust	\$23,475,936
Land Donation	\$9,119,900
Deferred Costs	\$326,184
Deferred Developer Fee	\$2,200,000
Tax Credit Equity	\$2,000,236

Permanent Financing

Source	Amount
California Bank & Trust	\$7,000,000
California Bank & Trust - CL**	\$1,000,000
Land Donation	\$9,119,900
Tax Credit Equity	\$20,002,356
TOTAL	\$37,122,256

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**California Bank & Trust Commercial Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,354,455
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,460,792
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,381,471
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.83992

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	Seniors
Final:	46.345%

Significant Information / Additional Conditions

The applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Staff noted the per unit cost is approximately \$567,667. The applicant noted that the high per unit cost is attributed to the high-rise design, California Building Code Type III construction, impact and permitting fees, and a low number of units resulting in overall higher per unit costs.

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The legal description and APN for the project must be completed prior to submitting the placed in service package.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Cupertino, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.